

**MINUTES OF THE
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR
APPROPRIATIONS SUBCOMMITTEE
Room 210, Senate Building
February 4, 2013**

Members Present: Sen. Brian E. Shiozawa, Senate Chairman
Rep. Jim Bird, House Chairman
Rep. Stewart E. Barlow, House Vice Chair
Sen. Curtis S. Bramble
Sen. Gene Davis
Sen. Wayne A. Harper
Sen. Scott K. Jenkins
Sen. Stuart C. Reid
Sen. Jerry W. Stevenson
Rep. Patrice M. Arent
Rep. James A. Dunnigan
Rep. Jeremy A. Peterson
Rep. Val L. Peterson
Rep. Angela Romero
Rep. V. Lowry Snow
Rep. Ryan D. Wilcox
Rep. Brad R. Wilson

Members Absent: Rep. Dixon M. Pitcher

Staff Present: Dr. Andrea Wilko, Chief Economist
Mr. Zackery King, Fiscal Analyst
Ms. Rosemary Young, Committee Secretary

Note: A list of visitors and copy of handouts will be filed with committee minutes.

Rep. Barlow called the meeting to order at 8:02 a.m.

MOTION: Sen. Jenkins moved to approve the minutes of the January 29, 2013 meeting. The motion passed unanimously with Sen. Bramble and Sen. Stevenson absent for the vote.

Department of Alcoholic Beverage Control

Dr. Wilko reminded the committee that Utah is one of 17 liquor control states and one of two totally state-run systems. The Department of Alcoholic Beverage Control operates 44 state stores and about 100 package agencies. The Budget Brief for the DABC was reviewed. The details may be found online by going to this committee on the Legislature home page. The base budget is the same as last year at \$38,663,700 but is realigned to more accurately reflect where the funding was being spent. It was pointed out that SB 258 of the 2012 session changed the funding mechanism for the Parents Empowered program to an earmarked .6 percent of gross liquor sales. As a result of the change an adjustment of \$158,500 will be diverted into the program unless the legislature changes the statute. Also HB 354 brought \$6.4 million in unappropriated operating expenses onto the books of DABC. The appropriation included shipping costs and credit and debit card fees. Natural growth in these transactions has led to

increased costs for the Department. As a result DABC is asking for \$581,000 in additional funding which will be offset by the increased revenue from sales.

There was discussion about other programs funded by liquor sales such as school lunch. The funding comes as a diversion from revenues. Ten percent comes off the top and goes to the school lunch program and one percent goes to Public Safety for liquor enforcement, so these funds are appropriated in other committees.

Sal Petillo, Executive Director, DABC, reported that FY 2012 revenues were approximately \$321 million. Of that total \$35 million went to the school lunch program and Public Safety transfer. There was \$17 million in sales taxes and approximately \$70.8 million was transferred to the General Fund. The compliance office educates licensees, does applications for licenses, and investigates violations of licensing regulations. In FY 2012 2,500 licenses were processed and issued. The Parents Empowered program was discussed. The Department is requesting \$1.5 million to continue operations of six liquor stores which were slated to be closed in FY 2012. The six stores were identified, and Benjamin Buys, Finance Director, reported that the revenue from the stores would far exceed the \$1.5 million it takes to run them. The one percent of revenues sent to Public Safety amounted to about \$3.2 million in FY 2012 also \$32 million was sent to the Department of Education for the school lunch program.

Salary levels for DABC employees were discussed, recognizing that they are low and many of the employees are part time. There was discussion as to the implementation of 2012 legislation dealing with funding and oversight. The Department is in the process of interviewing for the position of director of internal audit. Also members are being recruited for the alcoholic beverage control advisory board.

The Park City store was one of those slated to be closed, and there was discussion about the seasonal nature of the volume of business in the store and the possibility of cutting back hours during non-peak seasons. Further discussion ensued about negative aspects of turnover and retraining associated with low salaried employees. The problem of delivery schedules of product and keeping stores stocked was addressed. Orders are generated by sales numbers.

Department of Commerce

Dr. Wilko reviewed the Budget Brief for the Department of Commerce which can be found online by going to this committee on the Legislature home page. It was pointed out that this department has by far the largest portion of fees in this committee because they are funded through fees, and they remit any overage to the General Fund annually. The agency is asking for small adjustments to the following General Fund Restricted accounts: reduce Factory Built Housing Fees by \$4,700 and increase the Nurses Education & Enforcement Fund by \$4,700, resulting in a net zero effect. The Agency is also asking for nonlapsing authority on the funds used for continuing education on building codes to even out the cyclical nature of the fund.

Francine Giani, Executive Director, Utah Department of Commerce, through a handout and slide show reviewed the Department's activities, divisions, and budget and pointed out that they have never received a dime from the General Fund or any other taxpayer source. They are strictly fee based with all fees collected being deposited into the Commerce Service Fund. No monies may be spent from the fund

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without being appropriated by the Legislature. Monies lapsed into the General Fund in July 2012 were \$15.28 million. Online services have enabled the Department to manage industry growth without growing and without raising fees.

The Division of Consumer Protection recovered benefits totaling over \$1.3 million during FY 2012. The Division of Occupational and Professional Licensing issued a total of 188,023 licenses during FY 2012; 92% were done online. Commerce and DWS coordinate for unemployment insurance collection and were able to increase collections during FY2012 by 333%. The Division of Real Estate launched a public service announcement campaign, "Make Sure Your Deal is Real," on TV stations and cable in 2012. The Division of Securities will host the 2013 National Association of Securities Regulators annual meeting attracting about 500 attendees and estimated to boost the local economy by \$1 million. The Division of Securities has addressed affinity fraud through the "I'm a Con Man," campaign in 2011 and investment fraud through the "Red Flags," campaign in 2012. The Office of Property Rights Ombudsman was created to respond to conflicts between government and property rights of citizens. The Department does not set policy for this office. The Division of Corporations and Commercial Code has over 90% of all business filings completed online.

There was discussion about the increase in unemployment insurance premiums collections. A Worker Misclassification Task Force made up of the Tax Commission, Workforce Services, Labor Commission and Department of Commerce meets quarterly to share information and has been able to flush out those who should have unemployment insurance. The Department regularly meets with other departments and divisions to share information and work through issues.

Peter Anjewierden, Budget Officer, responded to a question concerning the increase in the Commerce Service Fund in 2012. The increase is probably a result of a bounce back in the real estate industry and an increase in business entity registrants. The Department attempts to keep fees competitive with the rest of the West.

The educational ads are making a difference, but seniors are still being targeted. The Department works with AARP and senior centers to get the word out.

MOTION: Rep. Dunnigan moved to adjourn. The motion passed unanimously.

Rep. Barlow adjourned the meeting at 8:56 a.m.

Sen. Brian E. Shiozawa, Chair

Rep. Jim Bird, Chair